

AUDITED FINANCIAL STATEMENTS
VILLAGE OF LAKEWOOD CLUB, MICHIGAN

March 31, 2006

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Lakewood Club	County Muskegon
Audit Date 3-31-2006	Opinion Date 5-18-2006	Date Accountant Report Submitted to State: 7-3-2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

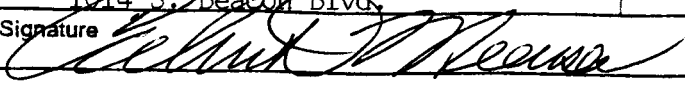
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1960).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☒ yes ☐ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Calvin D. Meeusen, C.P.A., PLLC			
Street Address 1014 S. Beacon Blvd.		City Grand Haven	State MI ZIP 49417
Accountant Signature 			

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Village of Lakewood Club, Michigan
Management's Discussion and Analysis
March 31, 2006

Using this Management's Discussion and Analysis

This annual report is intended to supplement the Village's financial statements for fiscal year ending March 31, 2006. The format of the financial statements has changed due to the implementation of GASB Statement 34 accounting. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements (i.e. the Statement of Governmental Fund Revenue, Expenditures and Changes in Fund Balance and the Governmental Fund Balance Sheet) tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

The Village as a Whole

The Village's total net assets are \$919,201 as of March 31, 2006. Unrestricted net assets, which represents net assets that can be used to finance day to day operations, comprise 74.7% of that total. The current level of unrestricted net assets for our governmental activities stands at \$686,256 or about 117% of current year operating expenditures.

Government-Wide Financial Analysis:

The first table presented is a summary of the government-wide statement of net assets for the Village. The net assets may be used as an indicator of a government's financial health. Since this is the first year the Village has prepared financial statements following GASB 34, comparisons to prior fiscal years are not available.

In examining the composition of these net assets, the reader should note that governmental activities net assets are heavily invested in capital assets (i.e., buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the residents and they are not available to pay salaries, operational expenses, or fund capital projects.

Table 1
Village of Lakewood Club Net Assets

	<u>Governmental Activities</u>
<u>Assets</u>	
Current and other assets	\$ 688,151
Capital assets, net of accumulated depreciation	<u>302,827</u>
Total	990,978
<u>Liabilities</u>	
Current	13,907
Noncurrent	<u>57,870</u>
Total	71,777

Village of Lakewood Club, Michigan
Management's Discussion and Analysis
March 31, 2006

Table 1 - Village of Lakewood Club Net Assets-Continued

<u>Net Assets</u>	<u>Governmental Activities</u>
Capital Assets, Net of Debt	232,945
Unrestricted	<u>686,256</u>
Total net assets	\$ <u>919,201</u>

The Village's net assets in the governmental activities continue to remain healthy. The Village has enough unrestricted cash on hand at the end of the year to fund normal operating expenses in similar circumstances for over 12 months.

The total of the Village's cash decreased by \$105,589 for the year ended March 31, 2006.

Governmental Activities

Governmental activities decreased the Village's net assets by \$109,114. Table 2 depicts this occurrence which will be discussed in more detail later in this analysis. This is primarily due to the large expenditures for the road gravelling project which was largely funded from existing cash balances.

We have finished construction of the tennis and basketball courts, together with an adjoining parking lot. We do not have a plan for any major construction expenditures for the coming fiscal year, other than possibly for roads.

Table 2
Village of Lakewood Club Changes in Net Assets

<u>Revenues</u>	<u>Governmental Activities</u>
Program	
Charges for Services	\$ 14,099
General	
Property taxes	200,641
State revenue sharing	205,734
Investment earnings	23,310
Miscellaneous	<u>33,224</u>
Total	477,008

Village of Lakewood Club, Michigan
Management's Discussion and Analysis
March 31, 2006

Village of Lakewood Club Changes in Net Assets-Continued

	<u>Governmental Activities</u>
<u>Expenses</u>	
Legislative	60,724
General government	78,307
Public safety	41,448
Public works	307,163
Recreation and culture	38,647
Other	<u>59,833</u>
 Total	 <u>586,122</u>
 Decrease in Net Assets	 (109,114)
Net Assets at March 1, 2005	<u>1,028,315</u>
Net Assets at March 31, 2006	<u>\$ 919,201</u>

The Village's Funds

An analysis of the Village's major funds begins on page 5, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Village as a whole. The Village Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Village's major funds for 2005 include the General Fund, Major Streets and Local Streets.

The Village Council is currently considering a road resurfacing project, possibly in the summer of 2006, for the Village's major roads. We are also planning to continue to upgrade the local roads, albeit on a somewhat smaller scale than in 2005.

Funding will come from existing cash accounts. These amounts can be supplemented by transfers from the General Fund to the extent deemed appropriate. We consider the preservation and maintenance of our roads to be our top priority.

The General Fund pays the Village's general operating expenditures.

General Fund Budgetary Highlights

The Village Council did not pass any budget amendments for year ended March 31, 2006.

Village expenditures overall were somewhat over budget, resulting in total expenditures of \$144,605 over budget. The General Fund's fund balance decreased from \$600,397 a year ago to \$451,698 at March 31, 2006. The budget variance was primarily due to a large operating transfer from the General Fund to the Local Street Fund to help fund the 2005 road regravelling project. Revenues were slightly lower than projections.

Village of Lakewood Club, Michigan
Management's Discussion and Analysis
March 31, 2006

Capital Asset and Debt Administration

At March 31, 2006 the Village had \$302,827 (net of accumulated depreciation of \$249,483) invested in a broad range of capital assets including land, land improvements, buildings and machinery and equipment. We continue to make payments on a truck installment note. All of the payments were paid on time and in full.

Economic Factors and Next Year's Budgets and Rates

The Village's budget for the next fiscal year projects property taxes and other assessments to increase approximately \$19,000 from the current year. State revenue sharing allocations are a budgetary concern at this time. The State of Michigan has experienced significant budgeting problems and as they look for solutions, state grants may decrease. The Village has adjusted the budget for 2006-2007 to allow for this possibility. State shared revenues in the General Fund and Act 51 monies for both Major and Local Street funds are projected at 4 to 6% lower than the previous year. Salaries are normally the largest total expenditure of all funds and represented approximately 17% of last year's expenditures. We expect wage expense to increase slightly.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers and other interested parties with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact us at (231) 894-9008.

CALVIN D. MEEUSEN, C.P.A., PLLC

CALVIN D. MEEUSEN

CERTIFIED PUBLIC ACCOUNTANT

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

To the Village Council
Village of Lakewood Club, Michigan

I have audited the accompanying financial statements of the governmental activities and each major fund of the Village of Lakewood Club, Michigan, as of and for the year ended March 31, 2006, which, collectively, comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.


In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, and each major fund of the Village of Lakewood Club, as of March 31, 2006, and the respective changes in financial position where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Village of Lakewood Club has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. for the year ended March 31, 2006.

The Management's Discussion and Analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

The accompanying required supplemental information, as identified in the table of contents, are not required parts of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board. My audit was conducted

for the purpose of forming opinions on the financial statements that collectively comprise the Village of Lakewood Club basic financial statements. The required supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

C.P.A. PLLC

Calvin D. Meeusen, C.P.A., PLLC

Grand Haven, Michigan

May 18, 2006

Village of Lakewood Club, Michigan

STATEMENT OF NET ASSETS

March 31, 2006

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 623,322
Receivables	
Taxes	32,664
Due from state	32,165
Capital assets, net	<u>302,827</u>
Total assets	<u>990,978</u>
LIABILITIES	
Accrued expenses	1,895
Non-current liabilities	
Note principal due within one year	12,012
Note principal due in more than one year	<u>57,870</u>
Total liabilities	<u>71,777</u>
NET ASSETS	
Invested in capital assets net of related debt	232,945
Unrestricted	<u>686,256</u>
Total Net Assets	\$ <u>919,201</u>

The Notes to Financial Statements are an integral part of this statement.

Village of Lakewood Club, Michigan

STATEMENT OF ACTIVITIES

Year ended March 31, 2006

	<u>Net (Expense) Revenue and Changes in Net Assets</u>	
	<u>Program Revenue</u>	<u>Primary Government</u>
	<u>Charges for</u>	<u>Governmental</u>
	<u>Expenses</u>	<u>activities</u>
Primary Government		
Governmental activities		
Legislative	\$ 60,724	\$ (60,724)
General government	78,307	(64,208)
Public safety	41,448	(41,448)
Public works	307,163	(307,163)
Recreation and cultural	38,647	(38,647)
Other governmental		
functions	<u>59,833</u>	<u>(59,833)</u>
Total primary		
Government	<u>\$ 586,122</u>	<u>\$ (572,023)</u>
General revenues		
Property taxes		200,641
State shared revenues		205,734
Investment earnings		23,310
Other		<u>33,224</u>
Total general revenue		
and special items		<u>462,909</u>
Change in net assets		(109,114)
Net assets at April 1, 2005		<u>1,028,315</u>
Net assets at March 31, 2006		<u>\$ 919,201</u>

The accompanying notes are an integral part of this statement.

Village of Lakewood Club, Michigan

BALANCE SHEET
GOVERNMENTAL FUNDS

March 31, 2006

	General Fund	Major Street
ASSETS		
Cash	\$ 407,929	\$ 160,242
Receivables		
Taxes	32,664	-
Due from state	<u>12,999</u>	<u>9,707</u>
Total Assets	\$ <u>453,592</u>	\$ <u>169,949</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accrued expenses	<u>1,895</u>	<u>-</u>
Total Liabilities	<u>1,895</u>	<u>-</u>
Fund Equity:		
Fund balance		
Unreserved	<u>451,697</u>	<u>169,949</u>
Total Fund Equity	<u>451,697</u>	<u>169,949</u>
Total Liabilities and Fund Equity	\$ <u>453,592</u>	\$ <u>169,949</u>

The accompanying notes are an integral part of this statement.

Local <u>Street</u>	Total Governmental <u>Funds</u>
\$ 55,151	\$ 623,322
-	32,664
<u>9,459</u>	<u>32,165</u>
<u>64,610</u>	<u>688,151</u>
 - _____	 1,895 _____
 - _____	 1,895 _____
 <u>64,610</u>	 <u>686,256</u>
 <u>64,610</u>	 <u>686,256</u>
\$ <u>64,610</u>	\$ <u>688,151</u>

Village of Lakewood Club, Michigan

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

March 31, 2006

Total fund balance-governmental funds \$ 686,256

Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the governmental funds.

Cost of capital assets	\$ 552,310	
Accumulated depreciation	<u>249,483</u>	302,827

Long term liabilities, including bonds and notes payable, are not
due and payable in the current period and therefore, are not reported
in the funds.

(69,882)

Net assets of governmental activities in the
Statement of Net Assets

\$ 919,201

Village of Lakewood Club, Michigan

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS
Year ended March 31, 2006

	General <u>Fund</u>	Major <u>Fund</u>	Local <u>Street</u>	Total Governmental <u>Funds</u>
Revenues:				
Taxes	\$200,641	\$ -	\$ -	\$200,641
Licenses and permits	14,099	-	-	14,099
State shared revenues	94,322	55,289	56,123	205,734
Interest	15,980	5,089	2,241	23,310
Equipment rental	13,634	-	-	13,634
Administrative fees	1,999	-	-	1,999
Other revenue	<u>17,591</u>	<u>-</u>	<u>-</u>	<u>17,591</u>
TOTAL REVENUES	358,266	60,378	58,364	477,008
Expenditures				
Current:				
Legislative	60,724	-	-	60,724
General government	74,724	-	-	74,724
Public safety	41,448	-	-	41,448
Public works	11,272	10,748	257,523	279,543
Other	74,379	-	-	74,379
Capital outlay	12,500	-	-	12,500
Recreation & cultural	<u>42,700</u>	<u>-</u>	<u>-</u>	<u>42,700</u>
TOTAL EXPENDITURES	<u>317,747</u>	<u>10,748</u>	<u>257,573</u>	<u>586,018</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	40,519	49,630	(199,159)	(109,010)
Other financing sources (uses)				
Operating transfers in	-	11,400	209,063	220,463
Operating transfers out	<u>(195,218)</u>	<u>(13,845)</u>	<u>(11,400)</u>	<u>(220,463)</u>
Total other financing sources (uses)	<u>(195,218)</u>	<u>(2,445)</u>	<u>197,663</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(154,699)	47,185	(1,496)	(109,010)
Fund balance - April 1	<u>606,397</u>	<u>122,764</u>	<u>66,106</u>	<u>795,267</u>
Fund balance - March 31	<u>\$451,698</u>	<u>\$169,949</u>	<u>\$ 64,610</u>	<u>\$686,257</u>

The accompanying notes are an integral part of this statement.

Village of Lakewood Club, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2006

Net change in fund balances-total governmental funds: \$ (109,010)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report outlays for capital assets as expenditures
in the Statement of Activities; these costs are depreciated over their
estimated useful lives.

Depreciation expense	\$ (36,255)	
Capital outlay	<u>24,565</u>	(11,690)

Repayment of principal on long term debt is an expenditure in the governmental funds but the payment reduces long term liabilities in the Statement of Net Assets	<u>11,586</u>
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Change in net assets of governmental activities	<u>(109,114)</u>
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The accompanying notes are an integral part of this statement.

Village of Lakewood Club, Michigan
NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Lakewood Club (Village) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's policies are described below.

Effective April 1, 2004, the Village adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 37 and No. 38. These statements primarily establish standards for external financial reporting for state and local governments. Certain significant changes in these statements include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Village's overall financial position and results of operations.
- Government-wide financial statements prepared using full accrual accounting for all of the Village's activities.
- A change in the fund financial statements to focus on the major funds.
- Expansion of footnote disclosures.
- These and other changes are reflected in the accompanying financial statements, including notes to financial statements.

The Village is audited on a bi-annual basis, as approved by the Michigan Department of Treasury. The following reconciliation applies to the current year under audit.

The beginning net assets restated for the effects of implementation of GASB Statement No. 34 are as follows:

Fund balances at April 1, 2005	
governmental funds	\$ 795,267
Bonds and notes payable	(81,525)
Capital assets, net	<u>314,573</u>
Restated net assets at April 1, 2005	<u>\$1,028,315</u>

Village of Lakewood Club, Michigan

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

1. Reporting Entity

The Village of Lakewood Club (Muskegon County) is a Charter village which operates under an elected village council form of government and provides services to its residents in many areas including public safety, highways and streets, sanitation, parks, recreation and general administrative services.

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and user charges.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Village does not allocate indirect costs.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation-Continued

collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state revenue sharing and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Streets Special Revenue Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on major streets.

The Local Streets Special Revenue Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on streets classified as local streets.

4. Assets, Liabilities, and Net Assets or Equity

a. Deposits and Investments

The Village's cash and cash equivalents are considered to be cash on hand, money market demand deposits and certificates of deposit. The Village's internal investment strategy is to invest its liquid assets in the types of accounts as listed above. This is more restrictive than State of Michigan statutes.

The Village considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Assets, Liabilities, and Net Assets or Equity-Continued

b. Receivables and Payables

All outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as "internal balances."

Property taxes attach as an enforceable lien on property and are levied on July 1 and are payable through September 15. The Village bills and collects its own property taxes and does not collect taxes for any other unit of government. Uncollectable real property taxes as of the following March 1 are turned over by the Village to Muskegon County for collection. The County advances the Village all these delinquent property taxes. The Village recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period (60 days). The 2005 state taxable value for real and personal property of the Village totalled approximately \$18,088,691.

Collections of these taxes are accounted for in the General Fund. Village property tax revenues are recognized in the period for which they are levied. The Village is permitted by law to levy taxes up to 12.00 mills per \$1,000 of assessed valuation for general governmental services. The tax rate to finance general government services for the year ended March 31, 2006 was 8.2106 mills.

c. Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of four years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements, if any, are capitalized as projects are constructed.

Village of Lakewood Club, Michigan

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Assets, Liabilities, and Net Assets or Equity-Continued

c. Capital Assets-Continued

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10-40
Infrastructure	20-40
Land improvements	15-20
Equipment	5-10

d. Compensated Absences

Full-time Village employees earn vacation and sick leave in varying amounts based on length of service. Unused sick leave or vacation pay does not accumulate past March 31 of each fiscal year. No portion of unused sick leave or vacation pay is paid to employees at the time of termination or retirement. It is the Village's policy to recognize the cost of sick leave at the time payments are made.

e. Long-Term Obligations

In the government-wide financial statements in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

f. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance, if any, represent tentative management plans that are subject to change.

g. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Village of Lakewood Club, Michigan

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2006

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Information

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Village Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to April 1, the budget is legally enacted through passage of a resolution.
- d. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles.
- e. Appropriations for the General Fund lapse at the end of the fiscal year.

Budgeted amounts are as originally adopted, or as amended by the Village Council as of March 31, 2006.

2. Risk Management

The Village of Lakewood Club is exposed to various risks of loss related to torts, errors and omissions and employee injuries, as well as medical benefits provided to employees. The Village has purchased commercial insurance for medical benefits and participates in the Michigan Municipal Workers' Compensation Fund for workers' compensation claims and the Michigan Municipal Liability and Property Pool for claims relating to general liability, excess liability auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings and contents.). Settled claims have not exceeded the amount of insurance coverage in any of the past three years.

The local units in the State of Michigan established and created the above mentioned pools pursuant to the provisions of Act 138 of the Michigan Public Acts of 1982. These pools are to provide for joint and cooperative action common to each participating municipal corporation for the purpose of providing risk management services along with property and liability protection. Membership is restricted to local units and related local unit activities within the state.

Village of Lakewood Club, Michigan

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2006

NOTE C - DEPOSITS

1. Deposits

All deposits are in various local financial institutions and are carried at cost; the deposits are composed of money market checking accounts and a certificate of deposit.

As of March 31, 2006 the Village's carrying amount of deposits was \$623,222, and the bank balance was \$624,024. Of the bank balance, \$211,100 was covered by federal depository insurance, the remainder being uninsured.

NOTE D-CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2006 was as follows:

<u>Governmental Activities</u>	<u>Balance April 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance March 31, 2006</u>
Capital assets, not being depreciated:				
Land	\$ <u>2,573</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,573</u>
Total capital assets, not being depreciated	<u>2,573</u>	<u>-</u>	<u>-</u>	<u>2,573</u>
Capital assets, being depreciated:				
Buildings	149,473	-	-	149,473
Equipment - General	231,018	12,500	-	243,518
Equipment - Hall	27,533	-	-	27,533
Parks	91,681	12,065	-	103,746
Seawall & boardwalk	<u>25,467</u>	<u>-</u>	<u>-</u>	<u>25,467</u>
Total capital assets, being depreciated	525,172	24,565	-	549,737
Less accumulated depreciation for:				
Buildings	39,744	4,033	-	43,777
Equipment - General	109,632	22,020	-	131,652
Equipment - Hall	18,188	2,192	-	20,380
Parks	23,062	6,737	-	29,799
Seawall & boardwalk	<u>22,602</u>	<u>1,273</u>	<u>-</u>	<u>23,875</u>
Total accumulated depreciation	<u>213,228</u>	<u>36,255</u>	<u>-</u>	<u>249,483</u>

Village of Lakewood Club, Michigan

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2006

NOTE D-CAPITAL ASSETS-CONTINUED

<u>Governmental Activities</u>	<u>Balance April 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance March 31, 2006</u>
Total capital assets, being depreciated, net	<u>311,944</u>	<u>(11,690)</u>	<u>-</u>	<u>300,254</u>
Capital Assets, net	<u>314,517</u>	<u>(11,690)</u>	<u>-</u>	<u>302,827</u>
Government activities: Depreciation				
Depreciation expense was charged to functions as follows:				
General government				\$ 3,583
Recreation and cultural				8,010
Public works				<u>24,662</u>
				<u>\$ 36,255</u>

NOTE E - LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the Village for the year ended March 31, 2006:

	<u>Balance April 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance March 31, 2006</u>	<u>Due within one year</u>
Governmental Activities					
Installment purchase agreements	\$ <u>81,525</u>	\$ <u>-</u>	\$ <u>11,643</u>	\$ <u>69,882</u>	\$ <u>12,012</u>
Governmental activity long-term liabilities	\$ <u>81,525</u>	\$ <u>-</u>	\$ <u>11,643</u>	\$ <u>69,882</u>	\$ <u>12,012</u>

Installment purchase agreement:

Truck Note - This note is with a local bank and is payable in monthly payments of \$1,212.35 with interest at 3.88% per annum. The note is scheduled to be paid in full in July, 2011.

\$ 69,882

Village of Lakewood Club, Michigan

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2006

NOTE E - LONG-TERM DEBT-CONTINUED

Annual debt service requirements to maturity for debt outstanding as of March 31, 2006 is as follows:

Year ending March 31, 2006	Governmental activities	
	Principal	Interest
2007	\$ 12,012	\$ 2,482
2008	12,493	2,055
2009	12,995	1,553
2010	13,515	1,033
2011	14,057	491
2012-2016	<u>4,810</u>	<u>39</u>
Total	<u>\$ 69,882</u>	<u>\$ 7,653</u>

NOTE F - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures have been reported on a functional basis. This is the same basis for which the budgets have been legally adopted and amended.

During the year ended March 31, 2006, the Village incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	Total <u>Appropriations</u>	Actual <u>Expenditures</u>	Budget <u>Variance</u>
General Fund			
Village Hall and grounds	\$ 17,540	\$ 40,970	\$ 23,430
Ordinance enforcement	5,650	5,716	66
Park	37,256	38,135	879
Lake	200	4,565	4,365
Operating transfers out	-	195,218	195,218
Major street fund			
Operating transfers out	13,653	13,845	192
Local street fund			
Contracted services	-	195,369	195,369
Salaries and wages	15,000	16,407	1,407
Fringe benefits	8,500	10,405	1,905
Professional services	6,396	11,553	5,157
Equipment rental	9,500	10,748	1,248
Operating transfers out	-	11,400	11,400

Village of Lakewood Club, Michigan

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2006

NOTE G - BUILDING INSPECTION DEPARTMENT

The Village of Lakewood Club is responsible for complying with the State Construction Code Act. This Act was amended by Public Act 245 of 1999 which became effective on January 1, 2000. Section 22 of Public Act 245 requires that the legislative body of a governmental subdivision shall establish reasonable fees to be charged by the governmental subdivision for acts and services performed by the enforcing agency under this act, which fees shall be intended to bear a reasonable relation to the cost, including overhead, to the governmental subdivision of the acts and services, including, without limitation, those services and acts as, in case of an enforcing agency, issuance of building permits, examination of plans and specifications, inspection of construction undertaken pursuant to a building permit, and the issuance of certificates of use and occupancy, and, in case of a board of appeals, hearing appeals in accordance with this act. The legislative body of a governmental subdivision shall only use fees generated under this section for the operation of the enforcing agency and shall not use the fees for any other purpose.

The Village of Lakewood Club meets the Michigan Department of Treasury criteria to account for these activities in the General Fund (ie. not establishing a separate Special Revenue Fund) namely, that the fee structure is not intended to recover the full cost of the enforcing agency and the Village has the ability to track the full costs and revenues of the enforcing agency without creating a separate fund. The following is a schedule of the revenues and expenditures associated with the building inspection department:

Village of Lakewood Club, Michigan Building Inspection Department April 1, 2005-March 31, 2006	
Revenue	\$14,099
Expenses	
Contracted services	12,811
Supplies & workshops	443
Administration	<u>3,525</u>
TOTAL EXPENSES	<u>16,779</u>
EXCESS OF REVENUE OVER (UNDER) EXPENSES	\$ <u>(2,680)</u>

NOTE H - INTERFUND OPERATING TRANSFERS

Details of interfund operating transfers at March 31, 2006 are as follows:

Fund	Operating Transfers In	Fund	Operating Transfers Out
Major Street Fund	\$ 11,400	Local Street Fund	\$ 11,400
Local Street Fund	209,063	General Fund	195,218
		Major Street Fund	13,845

SUPPLEMENTAL INFORMATION

Village of Lakewood Club, Michigan
Budgetary Comparison Schedule
GENERAL FUND

March 31, 2006

	Budgeted Amounts			Variance with final Budget - Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Taxes	\$ 206,000	\$ 206,000	\$ 200,641	\$ (5,359)
Licenses and permits	20,000	20,000	14,099	(5,901)
State shared revenue	90,000	90,000	94,322	4,322
Interest	6,000	6,000	15,980	9,980
Equipment rentals	14,000	14,000	13,634	(366)
Administration fees	2,042	2,042	1,999	(43)
Other revenue	<u>28,958</u>	<u>28,958</u>	<u>17,591</u>	<u>(11,367)</u>
Total Revenues	367,000	367,000	358,266	(8,734)
EXPENDITURES				
Legislative				
Village council	<u>69,360</u>	<u>69,360</u>	<u>60,724</u>	<u>8,636</u>
Total legislative	69,360	69,360	60,724	8,636
General government				
Elections	-	-	-	-
Clerk	15,200	15,200	14,551	649
Deputy clerk	9,600	9,600	8,700	900
Village Hall & grounds	17,540	17,540	40,970	(23,430)
Treasurer	<u>12,150</u>	<u>12,150</u>	<u>10,503</u>	<u>1,647</u>
Total general government	54,490	54,490	74,724	(20,234)
Public safety				
Liquor Inspection	504	504	504	-
Street Lighting	25,500	25,500	21,973	3,527
Inspection Department	21,600	21,600	13,255	8,345
Ordinance Enforcement	<u>5,650</u>	<u>5,650</u>	<u>5,716</u>	<u>(66)</u>
Total public safety	53,254	53,254	41,448	11,806
Public works	<u>15,750</u>	<u>15,750</u>	<u>11,272</u>	<u>4,478</u>
Total public works	15,750	15,750	11,272	4,478
Recreational and cultural				
Park	37,256	37,256	38,135	(879)
Lake	<u>200</u>	<u>200</u>	<u>4,565</u>	<u>(4,365)</u>
Total recreational and cultural	37,456	37,456	42,700	(5,244)

The accompanying notes are an integral part of this statement.

Village of Lakewood Club, Michigan
Budgetary Comparison Schedule
GENERAL FUND-CONTINUED

March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Other				
Salaries and wages	17,000	17,000	8,770	8,230
Refuse service	55,000	55,000	51,063	3,937
Debt service	<u>14,546</u>	<u>14,546</u>	<u>14,546</u>	<u>-</u>
Total other	86,546	86,546	74,379	12,167
Capital outlay				
Equipment	<u>51,404</u>	<u>51,404</u>	<u>12,500</u>	<u>38,904</u>
Operating transfers out	<u>-</u>	<u>-</u>	<u>195,218</u>	<u>(195,218)</u>
TOTAL EXPENDITURES	<u>\$368,260</u>	<u>\$368,260</u>	<u>\$512,965</u>	<u>\$(144,705)</u>

The accompanying notes are an integral part of this statement.

Village of Lakewood Club, Michigan
Budgetary Comparison Schedule
MAJOR STREET FUND

March 31, 2006

	<u>Budgeted Amounts</u>			Variance with final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental revenue				
State shared revenue				
Gas and weight tax	\$ 56,000	\$ 56,000	\$ 55,289	\$ (711)
Interest earnings	<u>1,900</u>	<u>1,900</u>	<u>5,089</u>	<u>3,189</u>
TOTAL REVENUES	57,900	57,900	60,378	2,478
Expenditures				
Construction	25,243	25,243	-	25,243
Street preservation				
Salaries and wages	4,500	4,500	2,625	1,875
Fringe benefits	1,350	1,350	1,296	54
Repairs and maintenance	5,000	5,000	2,560	2,440
Professional services	2,000	2,000	1,381	619
Equipment rental	<u>4,500</u>	<u>4,500</u>	<u>2,886</u>	<u>1,614</u>
	42,593	42,593	10,748	31,845
Administration	<u>1,654</u>	<u>1,654</u>	-	<u>1,654</u>
TOTAL EXPENDITURES	<u>44,247</u>	<u>44,247</u>	<u>10,748</u>	<u>33,499</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	13,653	13,653	49,630	35,977
Other financing uses				
Operating transfers in	-	-	11,400	11,400
Operating transfers out	<u>(13,653)</u>	<u>(13,653)</u>	<u>(13,845)</u>	<u>(192)</u>
	(13,653)	(13,653)	(2,445)	11,208
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	-	47,185	47,185
Fund balance - April 1	<u>122,764</u>	<u>122,764</u>	<u>122,764</u>	-
Fund balance - March 31	<u>\$122,764</u>	<u>\$122,764</u>	<u>\$169,949</u>	<u>\$ 47,185</u>

The accompanying notes are an integral part of this statement.

Village of Lakewood Club, Michigan
Budgetary Comparison Schedule
LOCAL STREET FUND

March 31, 2006

	Budgeted Amounts			Variance with final Budget - Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Intergovernmental revenue				
State shared revenue				
Gas and weight tax	\$ 53,000	\$ 53,000	\$ 56,123	\$ 3,123
Interest earnings	900	900	2,241	1,341
Other	-	-	-	-
TOTAL REVENUES	53,900	53,900	58,364	4,464
Expenditures				
Street preservation				
Contracted services	-	-	195,369	(195,369)
Salaries and wages	15,000	15,000	16,407	(1,407)
Fringe benefits	8,500	8,500	10,405	(1,905)
Repairs and maintenance	25,000	25,000	12,259	12,741
Professional services	6,396	6,396	11,553	(5,157)
Equipment rental	9,500	9,500	10,748	(1,248)
Miscellaneous	1,500	1,500	782	718
	65,896	65,896	257,523	(191,627)
Administration	1,654	1,654	-	1,654
TOTAL EXPENDITURES	67,550	67,550	257,523	(189,973)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(13,650)	(13,650)	(199,159)	(185,509)
Other financing uses				
Operating transfers in	13,650	13,650	209,063	195,413
Operating transfers out	-	-	(11,400)	(11,400)
	13,650	13,650	197,663	184,013
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	-	(1,496)	(1,496)
Fund balance - April 1	66,106	66,106	66,106	-
Fund balance - March 31	\$ 66,106	\$ 66,106	\$ 64,610	\$ (1,496)

The accompanying notes are an integral part of this statement.

CALVIN D. MEEUSEN, C.P.A., PLLC

CALVIN D. MEEUSEN

CERTIFIED PUBLIC ACCOUNTANT

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(616) 395-8477

May 18, 2006

Honorable Village Council
Village of Lakewood Club

In connection with my examination of the financial statements as of March 31, 2006, I have reviewed the accounting policies and procedures employed by the Village and the internal controls in effect. As a result of this review, I wish to make certain comments and recommendations.

I have examined the financial statements of the Village of Lakewood Club for the year ended March 31, 2006 and have issued my report thereon dated May 18, 2006. As part of my examination, I made a study and evaluation of the system of internal accounting control of the Village of Lakewood Club to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office "Standards for Audit of Governmental Organizations, Programs, Activities and Functions". The purpose of my study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of the Village of Lakewood Club is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of the Village taken as a whole. However, my study and evaluation disclosed that the internal accounting controls may not be adequate to reduce to a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of the Village of Lakewood Club may occur and not be detected within a timely period by Village personnel in the normal course of their duties. This is because of a lack of segregation of duties due to the limited number of accounting personnel. Accordingly, substantive testing has been increased to alleviate this situation.

A budget is required by the State Constitution and by State Statutes and is the only basis for spending. A local unit cannot overspend its adopted budget unless a change in the budget is approved by the Council. Any amendment to the adopted budget should be made no later than the last day of the fiscal year and any transfer of monies between funds, except those authorized by statute, should be held to an absolute minimum and should be authorized by resolution of the Village and recorded in the Council minutes.

It has come to my attention that the Village has not adopted an investment policy in accordance with Public Act 20 of 1943 (as amended). The Village follows a conservative internal policy of investing only in money market checking accounts and certificates of deposit. However, a formal policy passed by a resolution of the Village Council is required. I recommend that this be done at the earliest possible time.

I wish to commend the management of the Village of Lakewood Club for their efforts and cooperation in facilitating the implementation of the GASB 34 accounting pronouncement. This took effect on April 1, 2004 and the results are reflected in the accompanying financial statements and supplemental information for the year ended March 31, 2006. General fixed assets and new infrastructure are required to be capitalized, and depreciated, on the enhanced entity-wide financial statements that are a key component of the GASB 34 changes.

In conclusion, I wish to say that my staff and I are very appreciative of the courtesy and assistance extended to us during the engagement. The above comments and recommendations are intended to be only of a constructive nature. I am sure they will help you to improve your accounting system and financial operation. I will be available to meet with you at any time in order to discuss these comments and recommendations.

Respectfully submitted,

A handwritten signature in black ink, reading "Calvin D. Meeusen C.P.A. PLLC". The signature is fluid and cursive, with the first name "Calvin" being the most prominent part.

Calvin D. Meeusen, C.P.A., PLLC